Wage gap linked to customer bias

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Researchers have helped solve the mystery of why white men continue to earn 25 percent more than equally well-performing women and minorities. Managers and business owners must pay a premium for white male employees because customers prefer them, says David Hekman, assistant professor in the Sheldon B. Lubar School of Business at the University of Wisconsin-Milwaukee (UWM).

The study will be published in the *Academy of Management Journal*. "Customers, from students buying textbooks to patients in an examining room, are consistently biased in favor of white men," says Hekman. "Because customer satisfaction is critical for organizational survival, business owners and managers will hire white men when possible and will pay lower salaries to the women and minorities they do hire."

Hekman and colleagues at four other North American business schools showed customers a video featuring either a black male, a white female, or a white male actor playing the role of an employee helping a customer. Those viewing the white male not only reported being 19 percent more satisfied with the employee's performance, but also they were more satisfied with the store's cleanliness and appearance. This despite the fact that employees demonstrated the same scripted behaviors and the store background, camera angles and lighting were identical.

These findings were also borne out through more than 10,000 medical patients' ratings of their doctors. Patients who received e-mail from their doctor were more satisfied with their doctor's competence and approachability, but only if the doctor was a white man.

The findings also reveal some potentially devastating, unintended consequences of the Paycheck Fairness Act (H.R. 12 and S. 182), introduced in 2009 to narrow the wage gap and now awaiting action by the U.S. Senate. "Because customers prefer white men employees, even when women and minorities perform equally well, there is a real danger that increasing women's wages so that they are equal to those of white men may cause managers to hire fewer women," Hekman explains.

The researchers say the act could be more effective if it also addressed ways to reduce the linkage between biased customer opinions and employee pay because more than 60 percent of employees have at least some of their pay directly linked to customer satisfaction survey results.

Hekman and colleagues offered straightforward policy suggestions in the Academy of Management Journal. Among them: make sure customer satisfaction surveys target specific employee behaviors. For example, don't ask customers if they would recommend a physician; ask them how many times the doctor asked a patient if she had additional questions or understood key medical terms.

No more anonymous customer feedback surveys, either, urge the researchers. These can significantly affect the pay scale in many industries.

"Make sure customers are identifiable and therefore at least somewhat accountable when they provide ratings," says Hekman. "People may do all sorts of bad things when they are anonymous - just check out the reader postings on any blog."

Source: University of Wisconsin - Milwaukee